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NUÉ SOUTH
ASK. S7K 2M1
(6) 652-9465



national farmers union

In Union Is Strength

(3)

National Farmers Union

Submission

to the

Special Joint Committee

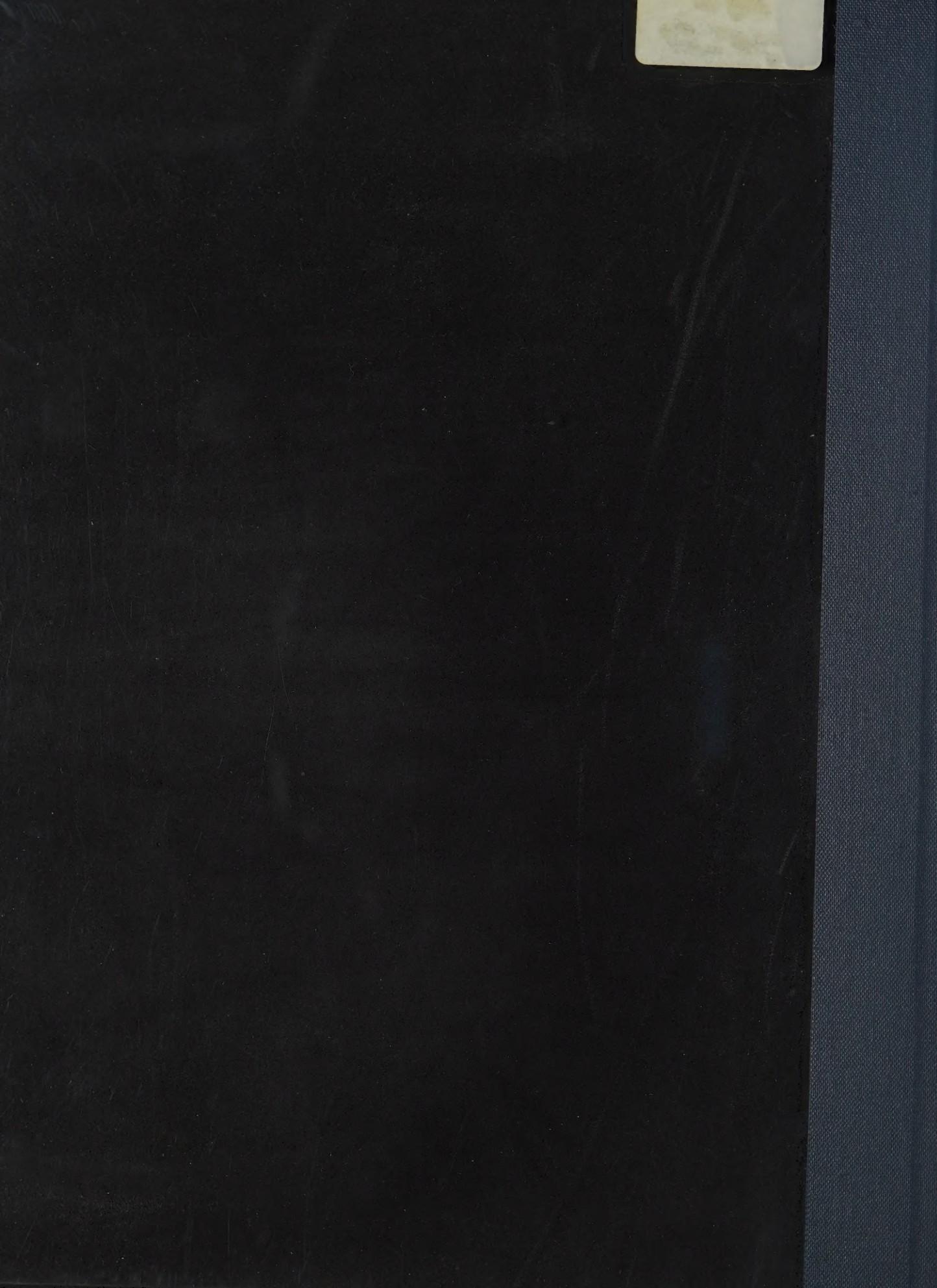
on

Canada's International Relations

, Ontario

July 17, 1985





CA1
XY2
- 85158

250C - 2ND AVENUE SOUTH
SASKATOON, SASK. S7K 2M1
TELEPHONE (306) 652-9465



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INTRODUCTION:

The National Farmers Union accepts the opportunity to appear before this Committee to discuss international relations in general and specifically between Canada and the United States of America.

Our organization consists of voluntary membership of farm families who are engaged in the primary production of food. We do not segregate members of our organization on an individual commodity basis since it is our belief that a rational agricultural policy can only be developed through an integrated policy approach.

TRADE & AGRICULTURE:

Trade is of fundamental importance to the well-being of the agricultural sector in Canada. Exports of Canadian agricultural products, or derivatives thereof, worldwide, totalled approximately \$10.8 billion in 1984. Total farm cash receipts from the sale of farm products in 1984 reached \$20.2 billion.

Our total agricultural exports considerably exceed our imports, which Statistics Canada reports attained \$5.9 billion in 1984. This resulted in a very favorable net trade balance for Canada in international markets earned by the food production and processing sector. But we need to seriously consider where we are heading in the future.

Living in close proximity to a large and wealthy nation, as is the U.S., has had both its advantages and disadvantages for Canada. The U.S. has represented a relatively open and accessible market for Canadian resource and industrial exports. However, a consequence of the closeness between our two nations has resulted in a large degree of

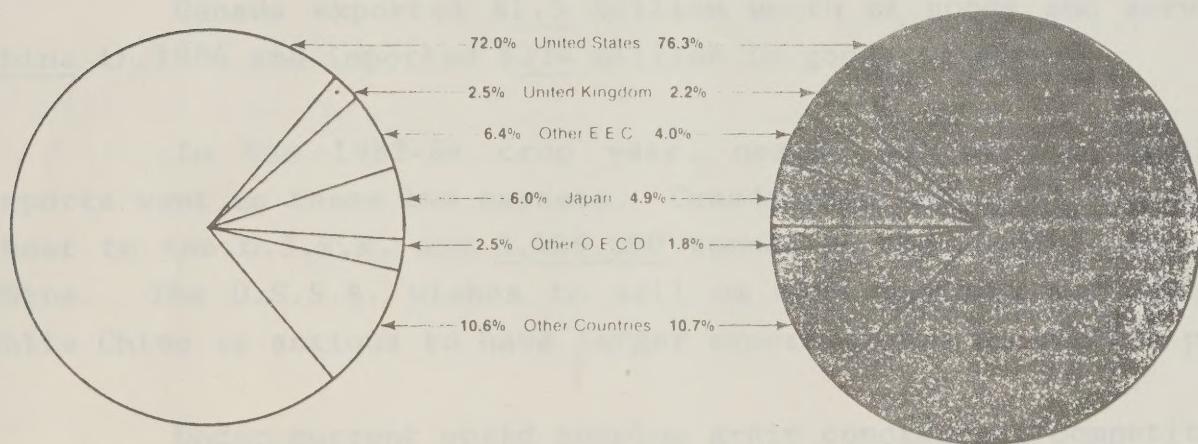
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overdependence on the U.S. market for much of our export production. Conversely the U.S. has also become the major provider of our import goods.

In 1984, 72.0% of all Canadian imports valued at \$91.68 billion were purchased in the U.S. and 76.3% of our total export sales of \$112.51 billion were sent to the U.S. This, in our view, represents too high a dependence on a single export market for our overall production and resources. It makes our nation highly vulnerable to the influence of U.S. trade, economic and political policies.

Imports and Exports by Country Groupings, 1984



Source: Statistics Canada Daily - Feb. 7, 1985

Much of our economy is now based on branch plant operations of U.S. multinational corporations. About 80% of foreign investment in Canada is American. The June, 1985 Globe & Mail "Report on Business" magazine of the top 1,000 corporations identifies 59 of 115 large private companies as U.S.-based. Among the top 25, U.S. ownership accounts for 18, including the top 5. Canadian bases of U.S. operations are, therefore, more at risk to reductions in production or closure in times of recession or rising protectionism. The development of export opportunities in foreign markets of branch plants are also subject to external policy decisions of such corporations. In some cases, the U.S. government can stifle trade opportunities of branch

plants through its "trading with the enemy" policies.

We must be aware that under current trade policies and patterns, Canadian exports are taking a declining share of world markets. Our share of world trade has fallen from 4% to 2.5% in the 10 year period, 1973-83.

Not surprisingly, Canada faces problems in balancing trade with some major customers of our grain, such as the U.S.S.R. and China.

In 1984, the U.S.S.R. purchased \$2.1 billion in Canadian goods while exporting only \$28.7 million in goods to this country. While our exports to the Soviet Union increased by 21% from the year previous, our imports from that country declined by 14%. That imbalance cannot continue indefinitely without jeopardizing our grain markets.

Canada exported \$1.3 billion worth of goods and services to China in 1984 and imported \$334 million in goods in return.

In the 1983-84 crop year, nearly 50% of our total wheat exports went to these two markets. Canada exported 6,761,000 tonnes of wheat to the U.S.S.R. and 3,428,000 tonnes to the People's Republic of China. The U.S.S.R. wishes to sell us more tractors and automobiles while China is anxious to have larger export quotas on textile products.

Under current world surplus grain conditions, competition for grain sales extends beyond the basic factors of quality and price. Canada cannot afford to ignore the needs of other trading partners if it hopes to retain and expand our markets for grain and other agricultural products.

Canada's trade balance in agricultural products with the U.S. has traditionally favoured the U.S. In 1983, Canada exported \$1.7 billion in agricultural products to the U.S. and imported \$3.1 billion in return.

In sharp contrast to the general export trade picture between Canada and the U.S., only 18.2% of our agricultural exports in 1983 were destined for the U.S., however, 60% of the value of our agricul-

tural imports were purchased from the U.S.

It is worthy of mention that agriculture, as a wealth producing industry, still remains primarily under Canadian ownership and control. It is important that government policies and strategies be developed which will secure the positive and stable growth of this industry. We cannot rely on the private corporate sector to accomplish this.

Dependent as many farmers are for survival on export markets, it is totally appropriate that Canada pursue export marketing policies which best serve the needs of Canadian producers. The U.S. is, in spite of its paternal domination of our economy, very much a competitor in world markets for a number of our farm products, particularly grains and oilseeds.

There is no doubt that Canadian grain producers would be infinitely worse off if it had not been for the superb marketing efforts of the Canadian Wheat Board over the past 50 years. Not surprisingly, a major threat to the survival of that agency comes from some of the large U.S.-owned grain corporations which are increasingly penetrating our grain export industry. They are known to actively lobby government and government agencies for policy changes that can adversely affect farm interests.

The best known of these in Canada is the U.S. based Cargill Grain Company Ltd. which is the largest privately-owned grain company in the world. With earned revenue in Canada in 1984 of \$1.7 billion, it is a large player in world oilseed markets and mainly dominates exports of Canadian produced oilseeds. Less visible is Continental Grain, also of the U.S., but it is heavily involved worldwide in oilseed markets with processing divisions in the U.S., South America, Europe and Australia.

Canada, in order to countervail the marketing powers of these giants, needs to undertake ways and means of strengthening our grain and oilseed production and marketing mechanisms if we are to consolidate and expand our future grain markets.

World demand, for example, is shifting from high protein to "triple M" type (medium hard kernel, medium glutten strength and medium protein content). We are not doing sufficient research and development in this area.

The expanding encroachment into the prairies of high yielding unlicensed wheat varieties of low quality is threatening our reputation as a reliable wheat supplier of guaranteed quality. The proposed introduction of private plant breeders' patent rights into this country is not the answer in developing grain varieties best suited for our soils and climate. Greater public initiative and involvement in R and D are imperative. Because of the dominant world role of U.S. corporations in the patent rights of plant life and marketing of hybrid seeds, it would be folly to expect the private sector to look upon the development and expansion of our economic interests beyond serving their own best economic interests. Hence, increased public involvement in plant research and development and grain marketing is absolutely imperative. We are seriously falling behind other industrial nations in this respect.

The recent countervailing duty applied against the Canadian export of hogs and pork to the U.S. and the expansion of beef import quotas from the U.S. is a prime example of the folly of dependency upon the U.S. for acts of charity that will secure the fortunes of our producers.

The Canadian livestock industry is extremely vulnerable to the trade practices of the U.S. Growing rhetoric of bilateral free trade movement between our two countries in livestock is not, in our view, an early possibility. Currently, Canada has an open border in respect to the importation of live slaughter cattle from the U.S., however, efforts to restrict imports of U.S. dressed beef to 21.6 million pounds in 1985 under our Meat Import Act, failed and that volume has been tripled to 65 million pounds. Our minimum total beef import quota for 1985 is now set at 215 million pounds or 47% greater than announced last December.

Essentially, Canada and the U.S. are strong in the production of a number of the same farm products. We believe if, as part of a

bilateral free trade agreement, we were required to disband current supply management programs, such as for eggs and poultry, we could not hope to have these industries survive. Because of our relatively smaller production and marketing base and higher production costs, we would end up being nothing more than a dumping ground for surplus U.S. production.

The Canadian Meat Council representing the meat processing industry in this country has recognized the shortcomings of a bilateral free trade arrangement in meat with the U.S. and recommended to government "an evolving expanded trade relationship with the U.S.". The C.M.C.* states "there are basic differences engrained in the fabric of the two countries which could endanger the continued viability of the Canadian meat industry on a 'free trade' basis". We agree.

Included among the differences cited by the C.M.C. are:

- a) Relative Canadian labour costs are higher;
- b) Economies of scale. (A plant in Iowa can draw on more hogs produced in that state than are produced in all of Canada.) Equipment in U.S. plants is also more sophisticated;
- c) The fear that "free" trade would result in Canadian participation in the North American market increasingly becoming one of providing only livestock or primal cuts;
- d) Exchange rates between the Canada-U.S. dollars could become less attractive in future.

As can be assessed from current tariff difficulties affecting our hog and pork exports to the U.S., stabilization programs for all products would need to be abandoned as well as orderly marketing structures designed to assist producers attain better returns from an otherwise exploitative free market system.

Our organization has long recommended the establishment of a National Meat Authority as a marketing structure to secure livestock producer interests in our domestic and export markets.

In short, a bilateral free trade arrangement between Canada and the U.S. in agricultural products would be suicidal for Canadian producers who are already facing tremendous economic pressures.

The actual U.S. tariffs which now exist on Canadian hogs and pork, for example, have become a major problem basically because the tariff levels are discounted by the trade over our entire domestic market. An effective marketing structure based on one-desk selling and price pooling would, we believe, be able to minimize the adverse impact that has resulted.

In many respects, tariffs between Canada and the U.S. are no longer a factor. No tariffs have existed for many years on agricultural implements. By 1987, 65% of U.S. industrial exports will enter Canada duty-free and a further 25-26% with a 5% tariff level, without bilateral free trade. Sectoral free trade, such as in agricultural implements, allows Canada to be more selective in terms of protecting its economic interests to best serve Canadian needs. We cannot fully visualize what role non-tariff barriers might play in any future bilateral free trade arrangement, however, it is conceivable they would continue to exist.

Certainly Canada's agricultural export opportunities would be better served by efforts to reduce tariffs on a multilateral basis where most of our agricultural exports now go.

In the development of agricultural trade opportunities, Canada cannot overlook the market potential in Third World countries. Two-way trade is essential for most developing countries and Canada must be conscious of this need in our dealings.

It was partly in the hope that food trade might be developed with such countries that we recognized the potential of the crown corporation Canagrex and supported its efforts.

Because this agency was intended to promote only exports of agriculture products, we recommended that its mandate be broadened to facilitate two-way trade and enter into barter arrangements, if necessary or feasible, with developing countries.

Barter, now generally referred to as countertrade, has become a growing means of exchange between currency-short Third World countries and east-bloc countries for a number of years. It has enabled them to avoid high costs of credit during periods of inflation. Its possibilities should not continue to be ignored in our future trading relationships.

We believe our government has a moral obligation to protect developing countries from exploitation by national and multinational corporations using Canadian resources and on the Canadian market. Canada should immediately establish the necessary agencies which would deal directly with developing countries for goods we import from them and pay them a price satisfactory to their requirements in order that the benefit would serve their people.

As a matter of international policy, Canada must continue to play a leading role in programs whereby the more affluent countries of the world assist the development of technology and the skills of farmers in developing countries in order to achieve the best use of their agricultural resources. The NFU believes that practicing Canadian farmers have a major role to play in such programs by offering their technical assistance and knowledge gained through practical experience directly to farmers in these countries.

We recommend the increased use of practicing farmers as members of international trade delegations seeking new and expanded markets for farm products.

In summary, we recognize the importance of developing sound trading relationships with the U.S. This is dictated through simple logic by the sheer size of its market and proximity to our borders. Our greatest apprehension about putting too many of "our eggs into one basket" is the high degree of economic dependency and loss of sovereignty that can result.

We support Canada-U.S. trade arrangements that can be identified as mutually beneficial. In some instances these may be by special arrangement as in automobiles, or sectoral as in farm machinery.

However, we do not support any overall arrangement which would smother our economy on the narrow basis of economic determinism.

The struggle confronting us is to further establish and consolidate our own identity in world markets through the pursuit of expanded trading relationships wherever they can assist this objective.

This is particularly important for the future stability of our agriculture industry.

STRATEGIC DEFENSE INITIATIVE:

The strategic location of Canada between the world's two super powers has cast Canada in the role of a buffer state in the event of any future conflict between them.

We should realize immediately that in any such conflict, whether conventional or nuclear, weapons delivery systems are now in place on both sides which are targetted on each other across Canadian territory. This is not a happy thought, because neither side, the U.S.A. or the U.S.S.R., would hesitate to intercept and destroy as many of each other's weapons as possible over Canadian territory before they reached their own respective territories.

The madness of the arms race defies all common logic. The statement relating to security in the policy discussion document, "Competitiveness and Security", is self-deluding when it states, in speaking of East/West relations, of "an unwillingness to leave Canada's fate in the hands of others", and that "the need to defend ourselves is real".

The truth of the matter is, our fate is in the hands of others because there is no practical defense of our territory in the event of any kind of future conflict, whether conventional or nuclear, between the two super powers. We are now being held hostage by U.S. defense strategies through our non-neutral position. Our country can clearly be identified by the other side as "enemy territory" in the event of any conflict.

While we sanctimoniously state we have foregone the acquisition of nuclear weapons ourselves and "no nuclear weapons are now stationed on Canadian soil", the same cannot be said of our air space over which aircraft of the U.S. Strategic Air Command regularly fly or in our coastal waters which U.S. naval vessels patrol.

Uranium from Canadian mines also materially contributes toward the world build-up of nuclear weapons.

We are caught in further contradiction. Although we have renounced the nuclear option ourselves, we belong to the NATO Alliance which has not. The Alliance, states the document, "has not ruled out the first use of nuclear weapons in response to an attack from the East, on the grounds that not to do so could increase the risks of a conventional war, which could be fought - at least in the initial stages - on Western soil".

This is sheer madness. If NATO thinks first strike is an acceptable option, what is to prevent the Warsaw Pact from striking first?

The credibility gap of ever greater preparedness for war and utterances that the purpose of the Alliance is deter all war widens at each round of escalation. Our own credibility declines each time we relent one more time in facilitating the military objectives of the U.S., as we have done in the testing of cruise missiles, in spite of broad public opinion to the contrary. This testing should be ended.

Public opinion is now once more being put to the test on the Star Wars issue respecting whether we should involve ourselves in its research and development.

Our clear and unequivocal answer is NO. Our confidence was not improved for the development of this so-called defense system when it was recently called a "fraud" by David Parnas*, an internationally recognized U.S. computer scientist and expert on computer software who has resigned from a key advisory panel to the Strategic Defense Initiatives Organization.

The "Wall Street Journal" of January 2, 1985, carried a statement of six prominent U.S. scientists on the dangers of the Star Wars program and why they considered the scheme "unworkable and a grave danger to the United States". (See Appendix A) How can we ignore the opinions of such knowledgeable people?

Canada cannot afford in any sense to simply rubber-stamp every diabolical military scheme initiated by the U.S. Pentagon and mouthed by President Reagan. In so doing, we become drawn ever further into the web of U.S. military planning strategy thereby increasing our vulnerability and undermining our sovereignty. The confidence of ordinary people in the attainment of a lasting peace based on every increasing weapon power now capable of killing us all several times over, has attained its limit. We must seek to reduce the build-up - not expand it still further.

Canada's role in the preservation of world peace would now be better served by disassociating ourselves from U.S. military experiments, such as cruise missile testing and Star Wars research, and embarking instead upon a course of neutrality and active pursuit of disarmament objectives.

We urge the political courage and fortitude upon you to understand that the will of Canadian citizens must take priority over the will of the Pentagon and President Reagan.

Only in this way can we re-establish our declining credibility as a nation genuinely in pursuit of peaceful solutions to ideological differences that will continue to exist throughout the world for some time to come.

All of Which is Respectfully
Submitted by:

NATIONAL FARMERS UNION

APPENDIX A

WHY STAR WARS IS DANGEROUS AND WON'T WORK

The following statement by six prominent scientists on the dangers of Star Wars appeared as part of a letter to the Wall Street Journal on January 2, 1985.

A nearly impermeable strategic defence system would indeed have the capability to "save lives" rather than to "avenge them", to replace strategic deterrence by defence. But such a system is not in the cards, as even the program's director, General James Abrahamson, readily admits. Anything short of an impermeable system tends to undermine, not improve U.S. national security. Here are some of the reasons that we consider the Star Wars scheme unworkable and a grave danger to the United States:

— **Underflying:** Star Wars does not defend against, or even address, low-altitude delivery systems — bombers and cruise missiles, and "suitcase" nuclear weapons. By themselves, they are able to destroy both nations; Star Wars would accelerate their development.

— **Overwhelming:** The number of strategic warheads in the Soviet arsenal (as in our own) is about 10,000. If even a few percent of these warheads exploded on U.S. territory it would represent an unparalleled human disaster and effective collapse of the U.S. as a functioning political entity. The Soviets could keep ahead of any American Star Wars system because it is cheaper to build new warheads than to shoot down old ones (and easier to shoot down orbiting defensive systems than incoming missiles).

— **Outfoxing:** It is cheaper to build counter-measures than to build Star Wars. Some decades in the future when a (still highly permeable) U.S. Star Wars system might be deployed, the Soviets would have added tens or hundreds of thousands of decoys and other penetration aids to their arsenal. Their object would be to fatally confuse the American Star Wars system, which can never be adequately tested except in a real nuclear war.

— **Cost:** Former Secretaries of Defence Harold Brown and James Schlesinger, and senior Pentagon spokesmen of this administration, have all estimated the full Star Wars cost as hundreds of billions to one trillion dollars.

— **Soviet preemption:** Despite U.S. reassurances, the Soviets perceive Star Wars as part of a U.S. first strike strategy, allowing us to launch a preemptive attack and then to destroy the remnant of any surviving Soviet retaliatory forces. In a time of severe crisis, this may tempt the Soviet Union to make a preemptive first strike against the U.S.

— **Institutional momentum:** When a trillion dollars is waved at the U.S. aerospace industry, the project in question will rapidly acquire a life of its own — independent of the validity of its public justifications. With jobs, corporate profits, and civilian and military promotions at stake, a project of this magnitude, once started, becomes a juggernaut, the more difficult to stop the longer it rolls on.

We do not oppose defence in principle. We are in favor of carefully bounded research in this area, as in many others; we are also concerned that the line between research and early deployment of key Star Wars components not be blurred. Several of us have devoted considerable effort to research on missile defence. Some of us have advocated missile defence for individual missile silos. But we agree with Department of Defence experts who make it clear that cities cannot be protected.

Mr. Schlesinger has said "in our lifetime and that of our children, cities will be protected by forebearance of those on the other side, or through effective deterrence."

Victor Weisskopf

Carl Sagan

Hans A. Bethe

Richard L. Garwin

Kurt Gottfried

Henry W. Kendall

Cornell University
Ithaca, N.Y.

THE GLOBE AND MAIL, WEDNESDAY, JULY 10, 1985

Former adviser on Star Wars calls defence system a fraud

By JACK DANYLCHUK
Special to The Globe and Mail

VICTORIA — The Star Wars defence system is a "fraud," according to a University of Victoria computer scientist who has resigned from a key advisory panel to the Strategic Defence Initiatives Organization.

"The goals stated for the strategic defence system cannot be attained by the class of systems that you are considering," David Parnas, an internationally recognized expert on computer software, said

in a letter of resignation to James Offut, assistant director of SDIO.

Mr. Parnas was appointed last month as a member of the SDIO panel on computing in support of battle management. The 10-member panel was set up to advise the SDIO of any problems that might be encountered by the Star Wars system.

After two meetings of the panel, Mr. Parnas, an American who has undertaken other defence contracts for the U.S. Government, said "most of the money allocated to Star Wars will be wasted."

President Ronald Reagan called on the scientific community in March, 1983, to provide the means of rendering nuclear missiles impotent and obsolete. Mr. Parnas said no technological magic will accomplish that goal.

"They're talking about a scenario in which the whole battle would be over within 30 minutes, and that means a lot of work by computers without manual intervention," said Mr. Parnas, who attached eight technical papers to his letter. Copies were sent to politicians in Canada and the United States.

Mr. Parnas said there is no way of testing the Star Wars defence system under simulated conditions and no time during an attack to iron out the inevitable problems. "I have developed other military software," he said, "and there are always problems that turn up in battle conditions.

"No knowledgeable person could have faith in the Star Wars system. I don't think that even the people involved think they can build an invisible shield" of the type Mr. Reagan has described. "The people of the U.S. and Canada should know this."

In one of his technical papers, Mr. Parnas said the Star Wars system would be required to identify, track and direct weapons toward targets whose ballistic characteristics could not be known with certainty before the moment of battle. It would also have to distinguish these targets from decoys whose characteristics would also be unknown.

Mr. Parnas said he had apprehensions about the program before the two meetings.

"My questions to SDIO officials on the panel were fundamental," he said, "but the answers I received were extremely unknowledgeable. I think it is fraudulent to tell people in the world that we can build this thing when we can't, and know we can't, just because it will advance our private research goals and make Ronald Reagan happy."



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